

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Exporter Guide

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Report Highlights:

This report provides information on the Egyptian market for U.S. exporters of food and agricultural products. Barriers to the entry of U.S. food and agricultural products are often significant, particularly for those of animal origin. Wines face import duties of up to 300 percent. Best prospects for U.S. exporters beyond the bulk commodities are dairy products, edible fish and seafood. Political and economic uncertainty is dampening demand for U.S. consumer-oriented products. However, overall exports of U.S. food and agricultural products to Egypt through June 2013 at \$1.2 billion are up over 5.5 percent compared to June 2012 levels.

Disclaimer:

This report was prepared by the Foreign Agricultural Service in Cairo for U.S. exporters of food and agricultural products, as well as U.S. regulatory agencies. While care was taken in the preparation of this report, information provided may not be completely accurate due to either recent policy changes or because clear and consistent information about some policies is unavailable. It is strongly recommended that U.S. exporters verify all Egyptian import requirements with their foreign customers prior to the shipment of goods. Final import approval of any product is subject to the importing country's rules and regulations.

Executive Summary:

Egypt has a largely market-oriented economy. At the same time it also maintains a costly food subsidy regime (i.e., ration card program) along with fuel subsidies and a number of inefficient state enterprises. Until recently disposable income had been growing, facilitating middle-class expansion. Nonetheless about 90 percent of the population still remains eligible for state food and fuel subsidies.

Most middle-class consumers view product price and quality as key purchasing determinants. Larger-family sized packaging is well received by consumers aiming to contain costs through bulk purchases. Most Egyptian middle-class consumers view product price and quality as key purchasing determinants.

Exports of U.S. food and agricultural products to Egypt fell in calendar year (CY) 2012 to \$1.8 billion, down \$662 million or 26 percent compared to 2011. However, U.S. exports through June 2013 at \$1.2 billion are up 5.5 percent compared to the same period in 2012. U.S. consumer-oriented products at \$185 million, down by 3 percent, continue to struggle much like they did in 2012. Demand for bulk commodities (e.g., wheat, and soybean meal and oil) in 2013, at \$721 billion is up 2 percent.

Notwithstanding the country's political and economic woes, its ration card program along with the food manufacturing and animal feed sectors continue to drive bulk commodity imports. FAS Cairo attributes the 2012 demand drop for U.S. product, particularly for consumer-oriented items to the combination of a strengthening dollar along with higher international commodity prices.

Egypt's political system remains in a state of flux; uncertainty continues to impact economic performance. Long-term prospects remain good, but the country's economic situation is negatively affecting short-term growth. Beyond a fluid political situation, one of the most pressing threats is the further erosion of the Egyptian pound's value. The currency fell 10 percent in the value between December 2012 and March 2013, adversely impacting food prices.

Prospects in CY 2013 for U.S. bulk commodities and intermediate products (already at \$274 million) remain positive. However, these remain vulnerable to political instability and disruptions in the availability of foreign exchange. U.S. consumer-oriented products evidence limited prospects of improving until Egypt's political and economic situation stabilizes.

SECTION I: MARKET OVERVIEW

Economic and Demographic Situation

Egypt is a lower middle income country. The Central Intelligence Agency (CIA) estimates Egypt's population at 85.2 million (July 2013 estimate). With the national labor force numbering 27.2 million, agriculture engages 32 percent of workers; industry and services absorb 17 and 51 percent of the national labor force respectively. Agriculture accounts for 14.5 percent of Egypt's gross domestic product (GDP); industry and services account for 37.6 and 47.6 percent respectively. The African Development Bank reports that 40 percent of the Egyptian population lives on less than two dollars per day; around 21 percent of Egyptians live on less than one dollar a day. About 90 percent of the population is Moslem (mainly Sunni) and 10 percent is Christian (primarily Coptic). Egypt's population growth rate is 1.92 percent; the median age is 24.6 years. Roughly 63 percent of the population is under 30 years of age.

The country's political system remains in flux following the ouster of Hosni Mubarak, Egypt's longtime president in February 2011. Political polarization and uncertainty, security concerns, and the global economic slowdown are weighing on the economy. Normal business activities especially in the tourism and construction sectors remain disrupted, adversely impacting overall economic performance. Despite political power transferring fully to civilian rule in July 2012, confidence failed to recover. This lack of confidence, combined with political miscalculations by President Mohamed Morsi and his Freedom and Justice Party (FJP), contributed to the complicated political events of July 3, 2013. The interim government is discussing implementing reforms necessary for reactivating the economy.

Table 1: Main Economic Indicators, Egypt, Percentage

	Actual 2012	2013 Estimation	2014 Forecast
Nominal GDP (\$billions)	256.7	264.7	268.8
Real GDP Growth	2.2	2.0	3.3
Consumer Price Inflation	8.4	10.9	11.6
Imports of Goods and Services (\$billions)	67.2	67.7	69.1
Private Consumption (% real change)	5.9	3.2	2.3
Public Sector Consumption (% real change)	3.1	2.8	2.3
Exports of Goods and Services (\$billions)	47.6	49.2	51.7
Unemployment Rate	12.3	13.5	14.3
Short-term Interest Rate	12	12.4	10.7

Sources: Central Intelligence Agency, International Monetary Fund, Economist Intelligence Unit, and Global Insight.

Egypt's economic growth continues at a subdued rate. The International Monetary Fund (IMF) reports that the nominal GDP reached \$256.7 billion in 2012, up by about 9 percent from the previous year. Nominal GDP is projected to reach about \$264.7 billion in 2013. Real GDP however is anticipated by the IMF to drop to 2 percent in 2013. Real GDP growth in 2014 is projected to reach 3.3 percent.

Egypt is struggling to preserve macroeconomic stability; broad-based economic recovery has yet to occur. Lackluster short-term economic growth is not ameliorating the country's unemployment level of

13 percent. Particularly troubling is unemployment among youth ages 15-24 estimated by the CIA at about 25 percent. Real GDP growth of 2 percent in 2013 is insufficient for generating the level of new employment that Egypt needs. Sources indicate that Egypt requires 5 percent yearly growth to absorb its 750,000 new labor market entrants. Unemployment in 2013 is projected to reach 13.5 percent.

While inflation dropped in 2012 to at 8.4 percent from the 2011 level of 9.9 percent in 2011, the current 10.9 percent inflation rate remains a concern. High international commodity prices for food and fuel along with a weaker currency, heightened foreign investor risk aversion, and political uncertainty are weighing down the Egyptian economy. Consumer prices in 2012 have risen over 8 percent on an annual basis. Slow economic growth along with reduced tax inflows coupled with an expensive subsidy program and inefficient spending outlays contribute to Egypt's financial woes. An IMF stand-by credit facility of \$4.8 billion is unlikely until subsidy and tax reforms are implemented. This loan is critical for shoring up the country's battered finances and reigniting investor confidence in the Egyptian government's economic program.

Market Characteristics

Egypt has a largely market-oriented economy, while also maintaining a costly, inefficient subsidy regime (i.e., ration card program) and a number of state enterprises. Although only 3 percent of Egypt's land is arable, it is highly productive. Egypt's fertile crop area totals roughly 3.3 million hectares, a quarter of which is reclaimed desert lands. Egypt's agricultural sector is a major producer of a number of commodities (e.g., cotton, rice, citrus). Its potential is constrained by water scarcity, the lack of technical development, and fragmentation.

Although demand supports domestic agricultural production, Egypt's food insecurity is growing as a consequence of urban encroachment on agricultural lands. The Central Intelligence Agency estimates Egypt's rate of urbanization growing at annual 2.1 percent rate (2010-15). The United Nations estimates that Egypt lost 1.2 million *feddans* (504,000 hectares) of agricultural lands between 1980 and 2006. This represents an output loss of 3 million metric tons (MT) of wheat and or 3.9 million MT of maize (i.e., corn) at roughly current average yields. In comparison, Egypt imported from the United States 2.4 million MT of wheat and 2.2 million MT of maize in 2011. Population growth and production shortfalls have transformed Egypt into a net food importer.

The United States Trade Position with Egypt

U.S. food and agricultural product imports are often subject to Egyptian plant quarantine restrictions. The relationship that the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) and Foreign Agricultural Service (FAS) cultivates with Egypt's plant quarantine authorities helps to minimize the impact on our exports. For example, FAS Cairo's efforts recently contributed to ending the de facto ban on U.S. cotton imports.

Market access for U.S. seed potatoes (a potential \$10 million market) and chicken leg quarters (potentially \$100 million) are priorities for the U.S. Embassy's Agricultural Affairs Office. Egyptian authorities are however being pressured by local poultry producers and other interest groups to restrain imports in Egypt. We believe that providing mutually improved market access can set a positive tone for the coming years.

Starting in late 2012, U.S. exports of beef and beef products (\$215 million) have faced increased sanitary and phyto-sanitary (SPS) barriers to entry. Imported U.S. beef livers, a wholesome source of affordable animal protein for most Egyptians, are subject to increased scrutiny and laboratory testing by local authorities. Imports currently at \$81 million through August 2013 are down almost 22 percent compared to the same period in 2012.

In 2012 Egypt was a major importer of U.S. bulk commodities (\$1.0 billion) followed by intermediate products (\$458 million) and consumer-oriented products (\$342 million). The following table highlights trade in the foregoing commodity groups.

Table 2: Egypt, Imports (\$ millions)

Egypt's Bulk Commodity Imports from the United States						
Product	Jan-Dec 2010	Jan-Dec 2011	Jan-Dec 2012	Jan-June 2012	Jan-June 2013	% Change
Bulk Total	1,549.3	1,872.1	1,069.9	708.9	721.7	1.81
Wheat	441.4	808	228.1	219.9	498.4	126.67
Coarse Grains	667.2	706	61.0	61.0	0	-100.0
Rice	.578	.030	.015	.015	.018	18.17
Soybeans	410.7	300.5	736.3	404.1	192.6	-52.33
Cotton	11.6	47.1	20.6	9.0	24.1	167.8
Tobacco	5.2	4.5	15.8	11.3	1.1	-89.78
Pulses	5.3	2.6	.468	.031	1.4	4649.5
Peanuts	.047	.045	.271	.243	.159	-34.37
Other Bulk Commodities	7.5	3.0	4.8	3.2	3.6	14.39
Intermediate Total	196.7	263.1	458.1	220.3	273.6	24.21
Wheat Flour	0	1.3	0	0	0	---
Soybean Meal	13.7	45.4	222.6	80.7	122.0	51.1
Soybean Oil	2.8	0	18.5	0	32.5	---
Veg. Oils (Ex soybean)	40.2	66.3	51.3	34.1	17.4	-48.91
Feeds & Fodders	112.4	129.2	134.7	89.1	86.5	-2.88
Live Animals	3.9	1.4	9.2	5.2	4.4	-13.74
Hides & Skins	2.6	.520	0	0	0	---
Animal Fats	1.0	0	0	0	0	---
Planting Seeds	8.6	11.9	10.2	5.5	4.5	-18.98
Sugar, Sweeteners, Bev Bases	1.8	1.0	.609	.192	.320	66.48
Other	9.6	5.6	10.7	5.2	5.7	8.2
Consumer Oriented Total	349.3	371.7	342.6	190.4	185.0	-2.83
Snack Foods	2.6	2.2	3.3	1.2	1.5	21.21
Breakfast Cereals	.674	.685	.798	.488	.320	-34.45
Red Meats, FR/CH/FR	178.6	235.2	215.5	104.0	81.4	-21.75
Red Meats, Prep./Pres.	0	0	.019	0	0	---
Poultry Meat	0	.007	.153	.150	0	-100.0
Dairy Products	110.3	92.2	73.8	55.3	74.1	33.8
Eggs & Prod.	.972	.252	.800	.336	.545	62.19
Fresh Fruit	14.9	5.9	5.2	3.4	3.3	-3.29
Fresh Veg.	.120	.019	0	0	.027	---
Processed Fruits & Veg.	4.1	3.6	5.3	2.9	1.9	-33.06
Fruit & Veg. Juices	.023	.093	.090	.058	.024	-58.08
Tree Nuts	30.8	24.7	28.2	17.8	16.9	-5.25
Wine & Beer	.040	.067	0	0	.014	---
Nursery Prod.	.033	.054	.070	.051	.093	82.23
Pet Foods	.517	.747	1.4	1.0	.800	-26.91
Other	5.4	5.7	7.5	3.3	3.9	17.56
Forest Prod	37.3	32.2	27.1	13.4	14.4	7.28
Fish Prod.	7.0	8.7	3.4	1.2	2.2	74.1
AG Prod.	2,095.4	2,507.0	1,868.4	1,119.7	1,180.4	5.42
AG/Fish/For.	2,139.9	2,548.0	1,899.0	1,134.4	1,197.1	5.52

Source: BICO Trade Data.

Egypt despite being a net food importer remains a successful food and agricultural products exporter, exporting about \$3.3 billion in 2011. Egypt’s exports of high-value horticultural products, primarily to the European Union (EU), Russia and the other countries of the Former Soviet Union, and the Gulf countries alone total roughly \$1.7 billion in 2011.

Since March 2010, APHIS has approved several priority products for Egypt, including chopped lettuce, fresh garlic and milled rice. Fresh grapes, a major Egyptian export to other destinations, were previously approved, but exports to the United States are virtually non-existent. There are a number of Egyptian priority products in the approval process, including oranges/ tangerines. U.S. imports of these Egyptian priority products from all origins totaled \$511 million in 2011. Egypt’s potential share of this fast-growing market is difficult to estimate, as seasonal competition from other origins and logistics play a key role, but exports could easily top \$25 million in the near-term.

**U.S. Supplier Advantages (Strengths and Market Opportunities)
and Challenges (Weaknesses and Competitive Threats)**

Advantages	Challenges
<ul style="list-style-type: none"> • U.S.-origin products continue to enjoy wide acceptance in the Egyptian market. • Recognition of affordability combined with guarantees of high quality, and product availability. • New-to-market products benefit from the recent expansion of supermarket and hypermarket chains. • Receptivity toward buying into the notion of American luxury. 	<ul style="list-style-type: none"> • High tariffs levied on imported consumer-oriented products. • Many importers indicate that there is a lack of U.S. supplier interest in Egypt. • Egyptian import regulations are convoluted, non-transparent, and often overly stringent. • Egyptian importers are largely unfamiliar with U.S. export control processes, procedures, standards, and certifications. • The absence of cold storage facilities outside of Cairo and Alexandria. • The stagnation of tourist trade. • An evolving regulatory system. • Trading partners’ closer shipping proximity.

SECTION II: EXPORTER BUSINESS TIPS

Local Business Practices and Customs

Standard time in Egypt is two hours ahead of Greenwich Mean Time (GMT) and seven hours ahead of Eastern Standard Time (six hours when the United States observes daylight savings time). Egypt does not follow daylight savings time. The local workweek runs from Sunday through Thursday. Government offices, most private sector companies, and banks are closed Friday through Saturday. Government offices are open 9:00 a.m. to 1:00 p.m. (some however remain open until 3:00 p.m.). Private sector companies are normally open from 9:00 a.m. to 6:00 p.m. Banks are open from 8:30 a.m., but close at 2:00 p.m. Most stores and supermarkets/ hypermarkets open at 10:00 a.m. and often remain open until 11:00 p.m. Some Coptic (Christian) businesses are close on Sundays.

Although Arabic is the official language of government and commerce, many in the public and private sectors have a fairly good working knowledge of English and French. Being able to greet Egyptians in Arabic, as well as punctuating one's sentences with an occasional word in Arabic, or even better a phrase, goes a long way toward breaking the ice. Egyptians are very hospitable. The exchange of pleasantries and casual banter over coffee and tea often take up most of the time in introductory meetings. It may take more than a couple of meetings to progress towards an agreement on the terms of a business negotiation. Age and experience are highly valued in Egypt.

Business cards normally follow a western-style format. These are often two-sided; written on one side in Arabic and on the other in English. Most professionals will wear western-style business suits and ties. However, both sexes dress conservatively. Westerners are given some leeway in the major cities, but western women are increasingly expected to show restraint and not dress provocatively.

Traffic congestion in Cairo and in major cities such as Alexandria is a fact of life. It is highly recommended that sufficient time be budgeted into schedules in order to arrive at meeting destinations. However do not be surprised if you are forced to wait for a counterpart who is running late due to traffic. Many negotiations will tend to run late into the night and are often sealed over dinner followed by coffee and *shisha* pipe smoking afterwards.

Cocktails, business luncheons and dinners, as well as conference gatherings can often be luxuriant affairs. Given that the majority of Egyptians are Moslems, alcoholic beverages are not normally served at public gatherings. Public intoxication is frowned upon regardless of one's religion or socio-economic class. Fruit juices, sodas, mineral water, coffee, and tea are the expected beverage offerings.

General Consumer Tastes and Preferences

Although 90 percent of Egypt's population relies on state food subsidies, disposable income has until recently been growing and facilitating middle-class expansion. Most Egyptian middle-class consumers view product price and quality as key purchasing determinants. Larger-family sized packaging is well received by consumers aiming to contain costs by purchasing in bulk. Smaller packaging is normally reserved for individual, indulgence purchases (e.g., snack bars and potato chips). Given urban dwellers' hectic lifestyles, frozen ready-to-eat meals are increasingly popular.

Egyptian consumers, especially the more affluent "A class" consumers (average monthly incomes of

\$1,700), demand high-quality and product variety. These are traits that they recognize are found in U.S.-origin products. Price may not always be a factor for this consumer group. Also thanks to the internet and travel, younger Egyptians are more in tune with U.S. and European food trends and brands than their parents. These are very receptive to trying imported, western-style food products. An estimated 8 million Egyptians reside overseas, facilitating the diffusion and receptivity of foreign food products in Egypt.

Shopping centers are popular retail food sales outlets for Egyptian consumers. Store promotional sales, wider product variety, and pricing options resonate strongly with both lower- and middle-class consumers. However, the bulk of Egyptian consumers continue to purchase perishable foods, fruits, vegetables, bread, and fresh beef at neighborhood grocery stores and small butcher shops. Most consumers are unwilling to travel outside of their neighborhoods for purchases of 5 items or less.

Consumption of red meats is traditionally high, but constrained by consumer income levels. To make red meat consumption more affordable for lower-income levels, both the Mubarak regime and subsequently the Freedom and Justice Party (FJP) promoted *shader* beef sales during religious holidays and the electoral season. *Shader* beef sales are privately run, non-subsidized affairs often operating out of makeshift stalls and tents. Due to the pious nature of *shader* beef sales, India- and Sudan-origin beef are often sold at cost, or within miniscule profit margins. Sources indicate that some vendors in 2012 utilized *shader* sales for currying favor with the FJP government. The payback being that this would ease import permit procedures, facilitate access to choice retail locales, and expedite bureaucratic transactions.

Table 3: Egypt, Supermarket Prices, Domestic Beef Compared to Imported Beef

Origin	Domestic	Brazil	India	Sudan
Price per Kilogram	LE 95 (\$15.55)	LE 31-35 (\$5.07 -\$5.73)	LE 30 (\$4.91)	LE 30 (\$4.91)

\$US 1 = Egyptian Pound (LE) 6.06942.

Despite imported beef's lower price, many Egyptian consumers often favor higher priced domestic beef. Beef sourced locally is assumed to be fresher and more wholesome than frozen beef shipments from overseas. Consumers also question whether beef from cattle processed for export to Egypt has been slaughtered in accordance with halal requirements.

A typical Egyptian middle-class meal is comprised of either red or poultry meat, accompanied by rice and small amounts of vegetables and fruits. Lower-class Egyptians typically consume meals based on bread, vegetables, and pulses. Soups tend to utilize bouillon beef/poultry cubes for flavoring in lieu of actual cuts of beef or poultry (LE 16-19 or \$2.61-\$3.11). Fruits are consumed if these can be purchased at affordable prices. Local fish at LE 16-20 (\$2.61-\$3.27) is an affordable protein alternative to beef. Beef, poultry, and other consumables see a price hike of 10-20 percent during Ramadan. Similarly, the Coptic population's demand for fish throughout Lent causes a spike in prices. Rice is a common dish throughout the country and is eaten often daily.

Apples, especially U.S.-origin apples are the fruit of choice. However, comparatively higher prices (LE 18-20 or \$2.94-\$2.27) limit consumption. U.S.-origin apples face an uphill struggle competing with EU-origin apples because of import duties. EU-origin apples' have increased their market share thanks to the EU-Egypt Free Trade Agreement (FTA). Lebanese, Iranian, and Syrian apples, ranging between

LE 10-11 (\$1.63-\$1.80) per kilogram are a popular, lower cost alternative to EU-origin apples. Local at LE 8 (\$1.30) are the most affordable, but their less sugary/saltier taste limits their appeal.

The average Egyptian has a limited knowledge, or understanding, of biotech products beyond what is reported in a sensationalist media. Supermarkets and hypermarkets do not label biotech products. Domestic organic production (e.g., eggs and vegetables) is making inroads among consumers.

General Import and Inspection Procedures

Table 4: Select Import Tariffs Rates Applied by Egypt in 2012

Group	Products	Import Tariffs
<i>Coarse Grain</i>		
	Maize Except Seed	0
<i>Wheat</i>		
	Wheat Except Durum	0
<i>Soybeans</i>		
	Soybeans	0
<i>Red Meats, Fresh/Chilled/Frozen</i>		
	Bovine Boneless Frozen	0
	Bovine Livers, Frozen	5
	Bovine Offal, Frozen	5
<i>Dairy Products</i>		
	Milk Powder< 1.5% Fat	0
	Butter	10
	Natural Milk Product	5
<i>Fresh Fruit</i>		
	Apple, Fresh	20
<i>Feeds & Fodders (Except Pet Food)</i>		
	Residues of Starch	2
	Brewing Waste	2
	Animal Feed Prep. Nes.	
<i>Vegetable Oils Excluding Soybeans Oil</i>		
	Maize Oil Crude	0
	Saf/Sun Oil, Crude	0
<i>Soybean Meal</i>		
	Soybean Residue	5
<i>Cotton</i>		
	Cotton, Not Carded	0
<i>Tree Nuts</i>		
	Almonds, No Shell	5
	Almonds, In Shell	5
<i>Cheese</i>		
	Cheese Except Fresh	
	Cheese Processed	10
	Fresh Cheese	10
<i>Other Oilseeds</i>		
	Sunflower Seeds	2

Source: Ministry of Finance, Egypt Tariff Book.

Significant barriers to the entry of U.S. food and agricultural products remain, particularly for those of animal origin. In 2011, Egypt improved market access for U.S. beef in line with the World Organization for Animal Health (OIE) international guidelines.

Only whole, frozen birds may be imported; poultry (including turkey) parts or offal have been approved for the armed forces. Egyptian poultry producers aggressively lobby against market access for U.S.-origin poultry parts. These allege that U.S. poultry imports will displace 2 million Egyptian poultry processing sector workers, as well as cite halal slaughter concerns. USDA has worked with the General Organization for Veterinary Service (GOVS) to inspect and approve 22 U.S. poultry processing plants to date. Inspection teams from GOVS certified that U.S. slaughtering processes and food safety measures are in accordance with Islamic halal practices.

The duty on whole frozen poultry is 30 percent. There is a 300 percent duty on wine for use in hotels, plus a 40 percent sales tax. The tariff for alcoholic beverages ranges between 1,200 percent and 3,000 percent. Egypt's overall weighted tariff average is 5.5 percent. Tariffs on the vast majority of goods entering the country are below 15 percent. Vehicles, alcohol, and tobacco are the only items on which tariffs are still 40 percent or greater.

Import Requirements and Documentation

For a shipment to be accepted at Customs, the shipment must have the following:

- **Commercial Invoice** – Two copies plus the original document are required. Legalization by the Egyptian consulate in the country of origin is required in most cases.
- **Certificate of Origin** – Two copies plus the original document are required. The Certificate of Origin must be authenticated by the Egyptian consulate in the country of origin. Natural products are considered to originate in the country where the goods are extracted. Certificates must state that the information is true and correct to the best of the shipper's knowledge.
- **Packing List** – Packing lists are often required and is recommended in most cases.
- **Bill of Lading** – The number of bills of lading required depends upon the carrier. There are no regulations specifying the form or number of bills of lading required for shipment. A bill of lading must show the name of the shipper, the address and the number of bills of lading issued.
- **Pro Forma Invoice** – This is an invoice required by the importer for submission along with the import license. It must show the country where the goods were manufactured.
- **Letter of Credit** – The Central Bank of Egypt in March 1999 advised all banks operating in Egypt that letters of credit (L/C) must be covered 100 percent in cash by the importer, except in importing some food items. This replaced the previous procedure whereby banks and their clients reached their own agreements and covered, usually 10-20 percent of L/C's value. In general, the exporter may not ship the goods before the Egyptian bank has notified the opening of a L/C. If the goods are shipped before the L/C is opened, the importer runs the risk of being fined up to a maximum of the value of the goods. If the importer does not bear the cost, then the exporter will have lost the value of such a shipment, and in the case of products with a shelf-life, the delay at the customs can mean that even if the exporter (e.g. a U.S. company) wanted to take back the shipment, it's no longer of any use.

- ***Content Analysis of the Commodity*** – Required for those products that may be subject to standards testing.

MINISTERIAL DECREE 619 OF 1998 - CERTIFICATION OF ORIGIN

Ministerial Decree 619 of 1998 required imports to be accompanied by a certification of origin and stipulated that consumer goods (durable and non-durable) be shipped directly from the country of origin. Decree 619 subsequently was adjusted in late 1999 to allow the shipment of imported consumer goods from the main branches of the producing company and its distribution centers. Regulations also were implemented to facilitate the ability of firms to meet the requirement for a certificate of origin. This requirement can now be fulfilled with a company invoice noting the country of origin and bearing the endorsement of an Egyptian overseas commercial office. Since May 1999, the Central Bank of Egypt has required 100 percent coverage for credit lines opened for goods imported by traders for resale purposes. Egypt no longer requires import licenses for most products, although licenses are still required for some items, such as animal products.

Food Standards and Regulations

Refer to [GAIN Egypt – FAIRS Report EG9014](#). This GAIN FAIRS Report is being updated for release in mid-2013 given the evolving nature of inspection and testing procedures changes occurring within the Egyptian import and regulatory systems.

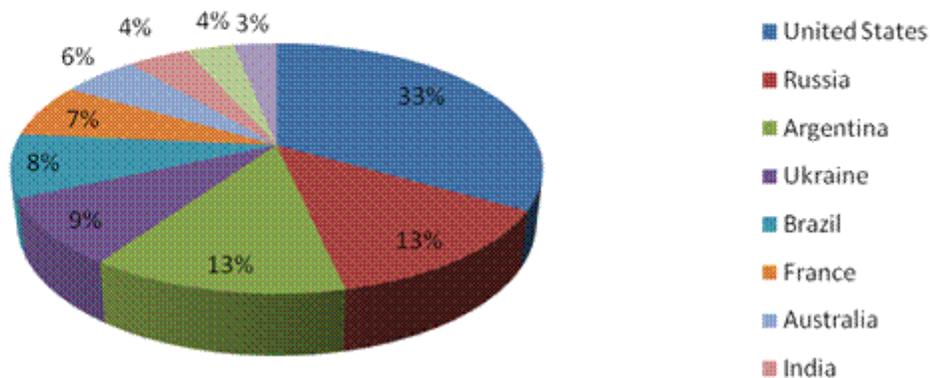
SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

Competitive Environment

Egypt's 2011 exports of agriculture, fish, and forest products to the United States reached a record high of \$94 million. Although this figure denotes the highest level of U.S. imports of Egyptian food and agricultural products since at least CY 1970, the trade balance remains skewed towards the United States. U.S. exports to Egypt at \$1.8 billion in 2012 are down \$662 million or about 26 percent. Egypt's exported \$92.7 million to the United States in 2012, down 1.4 from the previous year. We anticipate Egypt's exports to the United States growing by between \$25 to \$27 million in 2013 once Egyptian citrus (oranges/ tangerines) is granted market access and strawberry exports takeoff.

Besides the United States, the other top food and agricultural products exporters in 2011 to Egypt include Russia, Argentina, the Ukraine, and Brazil.

Egypt's Top 10 Food and Agricultural Product Providers in 2011



- United States (\$2.5 billion)
- Russia (\$1 billion)
- Argentina (\$988 million)
- Ukraine (\$647 million)
- Brazil (\$614 million)
- France (\$524 million)
- Australia (\$419.5 million)
- India (\$333 million)
- Kenya (\$261 million)
- Canada (\$234 million)

The Retail Market, Current Status

Egypt is mired in a state of post-revolutionary political and economic flux. Uncertainty is impacting major food retailers such Carrefour, Metro Supermarkets, Awlad, and Sinneys. Economic growth has

slowed significantly in 2011 and 2012. In 2013 this slowdown has spilled over into food retailing, where major chains are slowing their expansion plans. The banking sector is reportedly unwilling to assume any new, major long-term risk.

Sources report that many commercial firms, both foreign and Egyptian, are adopting a “wait and see” position as the country continues through its political transition, rebuilding its economy and reestablishing security. While U.S. firms have not rushed to close operations and leave the country, some have slowed planned investment. The United States remains committed to a strong partnership with Egypt and to building solid foundations for public and private sector cooperation.

Egypt is the largest market in the Arab world; a slowdown in retail store expansion represents a loss of revenue for both Egyptian retailers and their suppliers. FAS Cairo assumes that the Egyptian market will remain undersupplied in the short- to medium-term. Sources estimate the Egyptian retail market at about \$25 billion in 2011.

FAS Cairo has not seen the major retail chains reduce their operating hours as occurred at the height of the January 25, 2011 Revolution. Currently some stores are open around the clock, others close at midnight.

The Retail Market, Characteristics

The Egyptian retail market is fragmented, but moving towards concentration. The market, outside of a handful of large retail chains, is dominated by smaller retailers. Most large retailers are discounters who sell to smaller retailers. The latter often remain competitive thanks to more convenient locations and flexibility in providing informal credit to shoppers.

A challenge facing the retail market in Egypt is the emphasis on reducing prices to gain market share or market entry. Other problems associated with the Egyptian retail sector include poor customer service, as well as out of stock situations. Parking is also often cited as a challenge, since it restrains consumers from making larger purchases in a single visit.

Lower income Egyptian consumers are largely unable to differentiate between branded and generic products. Multi-national branded products have made their greatest inroads in the larger central shopping centers with attached supermarkets or hypermarkets. Sources indicate that branded products have taken off within the context of liberal economic reform.

Ingredient Opportunities in the Egyptian Food Processing Sector

Food processing is an important and productive sector in Egyptian economy. Its contribution to value-added production, employment levels, and exports is high. Flour milling, sugar refining, dairy production, vegetable and meat processing, edible oil production, confectionary products, pasta and snack production are the major processed food industries.

Potential opportunities exist for U.S. exporters of high-quality food ingredients for blending with local Egyptian production. The Arab countries, particularly the Gulf States, are the traditional export markets for Egypt’s canned and frozen food products. The European Union and to a lesser extent, the United

States and the Asian countries, are good markets for Egyptian processed foods. About 25 percent of the processing capacity is located in Cairo and Alexandria; employing 40 percent of the total workforce.

The sales of dried, chilled, frozen, and can/preserved foods is growing due to the increased number of supermarkets and hypermarkets. Dried processed food sales (e.g., rice and pasta) reached about \$1 billion in 2011. Sources inform that sales of chilled and processed food, mainly beef and seafood, reported sales of over \$210 million in 2011, up by 14 percent in value from the previous year. Indications are that there is potential for U.S.-origin beef to fill 40 percent of the Egyptian processed beef demand. Frozen processed food such as processed meat, poultry, seafood, vegetables, and processed potatoes reached \$145 million in 2011. Can/preserved food value sales reached about \$83 million, up 10 percent from the previous year. Top performers are can/preserved fish and seafood, meat and meat products, vegetables, tomatoes, beans, and canned fruit.

Trade Promotion/ Marketing Strategies

Newspaper and magazine advertisements are good marketing tools in Egypt. Egyptians read newspapers voraciously, and all literate people will see or hear advertisements placed in the widely circulating [Al Ahram Daily](#). Television is watched by all Egyptians, and advertisements reach and influence wide audiences. TV advertising has continued to increase in sophistication and prominence.

Two partially privatized pop radio stations have also been created and already have captured a large part of the youth market. Other forms of advertisement in Egypt consist of roadside billboards, flashing neon signs on building roofs, building walls completely painted with advertising signs, “junk mail” advertisements, faxed advertisements, and messenger/courier-delivered direct mail campaigns.

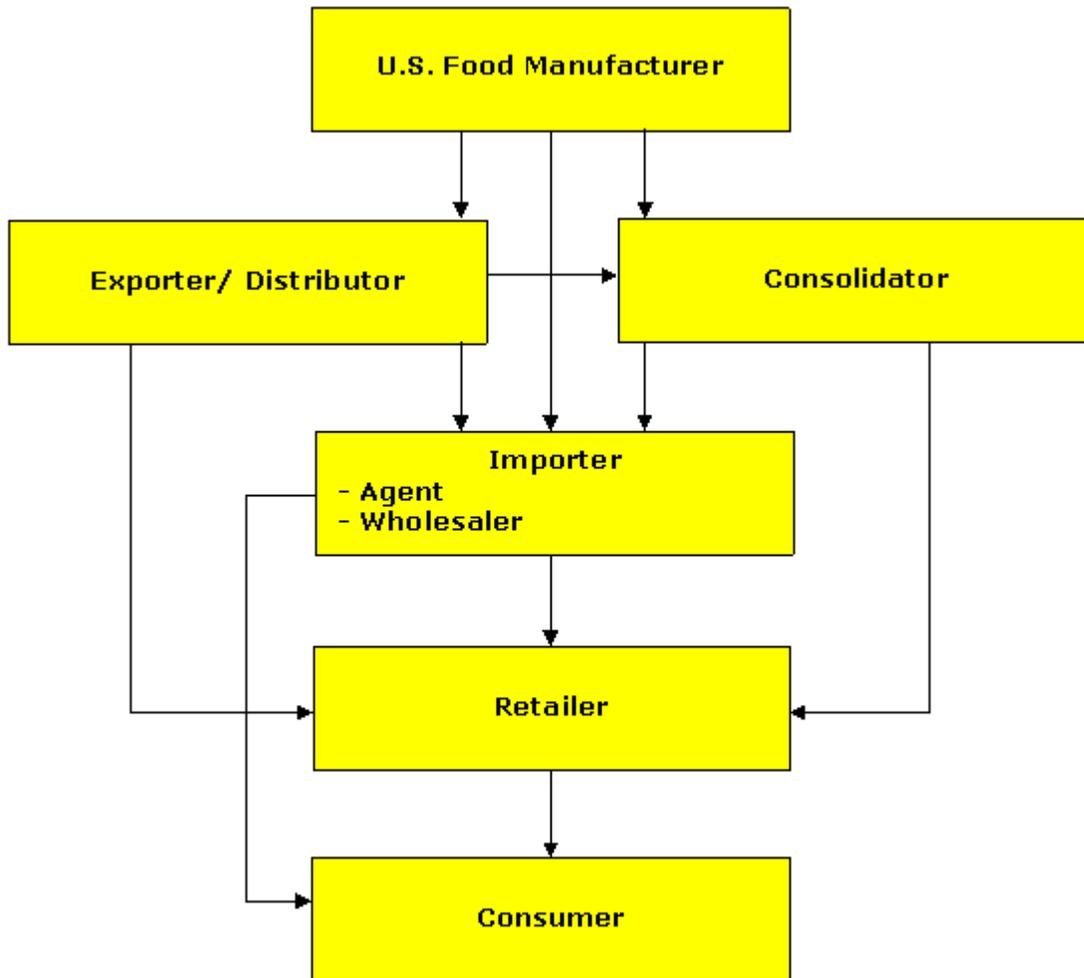
Trade promotion is becoming more sophisticated. Trade shows are frequent, aimed either at targeted business audiences or the general public; several take place each month at one or more of the downtown hotels or the Cairo International Conference Center (CICC). The annual Cairo International Trade Fair, held in the spring of every year, is the historical centerpiece of Egyptian trade promotion events.

Sales Negotiation Strategies

Sales negotiations with a government agency or a private individual are bound by unspoken Egyptian cultural requirements. A key one is that there is no final best price that cannot be reduced further by negotiating. A corollary is that only a neophyte would offer one’s best price, or anything close to it, early in negotiations. Government sources report that their employees are judged on the ability to squeeze the final piaster (penny) from the lowest bidder. This happens repeatedly, at every level of decision-making, and is the Egyptian version of the “Dutch auction,” called in Arabic *momarsa*.

Distribution Channels for Processed Food Products in Egypt

In Egypt, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. It is important for U.S. exporters to work with someone locally who knows the market well for a specific product. Agents who represent one foreign supplier are also relatively rare.



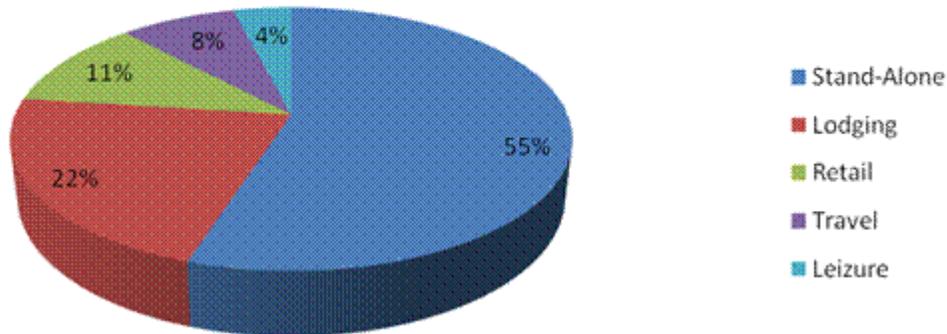
Franchising Trends

Franchising is well established in Egypt, especially within the fast-food/ casual dining segment of the Hotel Restaurant Institutional (HRI) sector. Industry sources report that food franchising will continue to show very strong annual growth of 15 to 20 percent over the long-term. Industry sources estimates indicate that food franchising market size is about \$700 million. Franchising is responsible for the success of the fast food/ casual dining segment of the HRI sector in Egypt. It has facilitated the creation of strategic market connections between agricultural and raw material suppliers and industrial production.

Currently operating in Egypt are an estimated 460 franchise brands with hundreds of outlets; 58 percent of these are food venues, of which 88 percent are U.S. restaurant franchises. The fast-food/casual dining segment is dominated by American chains. Popular chains include, among others, Outback Steakhouse, Chili's, Dominos, TGIF, Hard Rock Café, KFC, Pizza Hut, Cinnabon, McDonald's, Dairy Queen, Baskin Robbins, Carvel Ice Cream, and Ruby Tuesday. Most of these have been present in Egypt since the 1990s.

Overseeing franchising in Egypt is the [Egyptian Franchise Development Association](#) (EFDA). This association promotes HRI investment in Egypt through franchising, as well as encourages professional training and improvements in food safety quality control.

Egypt Consumer Food Service Locales (\$10.5 Billion)



Franchising in Egypt often benefits from the requirement that shopping malls incorporate supermarket and or a hypermarket component. As is the case in other countries, shopping malls' food courts offer good possibilities for both U.S. franchises and companies interested in supplying these operations. Egypt's food service sales reached \$10.5 billion in 2010, the bulk of which occurred in stand-alone establishments. Most franchises in Egypt target upper- and middle-class consumers.

Sources report that Egypt counts with 53,000 consumer food service outlets. Some 21,600 are full service restaurants and 12,600 are fast-food outlets. There are also 8,500 home delivery/ takeout providers along with 8,400 cafes/ bars and 1,400 street stalls/ kiosks.

Hotel Restaurant Institutional Sector Trends

Egyptian consumer behavior, tastes and preferences are evolving. These changes are impacting the HRI sector, especially the mid- to high-end establishments. Dining outside the home has become more popular in recent years. This is attributable in part to the rise of dual income families, along with hectic schedules that often do not leave time for preparing home cooked meals.

Prior to the January 25, 2011 Revolution, tourism was the key driver in the expansion of the HRI sector. Very good growth was being reported not only in Cairo, but also along the Red Sea, the Sinai, and the North Coast. The political and economic uncertainty following the revolution has significantly slowed the construction of hotels, the opening of new resorts, and restaurants.

Food chains providing American-style foods nonetheless remain popular in Egypt. These cater to both domestic and foreign patrons. Outside of the high-end hotels which are the main customers for U.S.-

origin high-quality beef cuts, more affluent Egyptian consumers are developing tastes for U.S. food and agricultural products such as sauces, canned vegetables and fruits, beef livers, and Tex-Mex products.

Joint Ventures/ Licensing Agreements

Egypt does not currently have specific laws governing joint ventures/licensing agreements. The Egyptian courts interpret these arrangements as mutual agreements between parties governed by the corresponding contract.

Repatriation of capital gains is permissible; no prior authorization from the [General Authority for Investments and Free Zones](#) (GAFI) is presently required. Foreign equity in joint ventures can be as low as a few percentage points. Egypt's Investment Incentives and Guarantee Law – Number 8, authorizes foreign investors to control up to 100 percent of a firm in certain sectors of the economy. In addition, the U.S.-Egypt Tax Treaty protects against double taxation; taxes on royalties are limited to 15 percent of the gross amount of the royalty. The government as well as private sector firms have licensing agreements that allow foreign firms to transfer abroad royalties.

Opening an Office in Egypt

Prior to undertaking this major overseas endeavor, it is highly advisable to seek professional legal and tax advice from reputable legal and accounting firms. The General Authority for Investments and Free Zones has established an office specifically to assist with the local registration of companies. FAS Cairo sources indicate that this office routinely processes registration paperwork and procedures in about three working days.

SECTION IV: BEST CONSUMER-ORIENTED PRODUCTS PROSPECTS

Egypt continues to demand U.S. beef livers. These represent a wholesome and affordable alternative source of beef protein for less affluent Egyptian consumers. What holds back the United States from capturing a larger share of the Egyptian market is the lack of sufficient certified halal processing plants, as well as increased scrutiny and laboratory testing. The same also applies to potential exports of U.S.-origin (high-end) frozen beef.

Miscellaneous edible food preparations continue to evidence good potential. Although U.S.-origin products benefit from a 0 percent duty, EU-origin product has the advantage of proximity and shorter shipping transit times.

American cheeses and curd are experiencing growing popularity in Egypt. American cheddar is particularly attractive at the moment. Imports of EU-origin cheeses until fairly recently had been ban due to bacterial infections in production animals.

Although importers recognize the value and quality of U.S.-origin crustaceans, especially lobster and soft shell crabs, imports are down in recent years as a consequence of the tourist trade’s stagnation. FAS Cairo estimates that demand for U.S.-origin crustaceans will return Egypt’s political-economic situation stabilizes and the country’s tourism sector recovers.

Table 5: Best Consumer Oriented Prospects

Product	Jan-Dec 2011	Jan-Dec	Percentage of	Import	Key Constraints	Market Attractiveness for
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Category	Egypt Imports from the World (\$ millions)	2011 U.S. Exports to Egypt (\$ millions)	Annual Import Growth U.S.	Tariff Rate	Facing Market Development	U.S.
Beef Livers	\$166.4	\$146.5	68%	5	Insufficient number U.S. certified halal processing plants.	Strong demand for affordable, alternative sources of animal protein.
Misc. Edible Preparations	\$125.2	\$5.3	3.8%	0	Competition from the EU.	Good potential for U.S.-origin dressings, sauces, and seasonings
Apples and Pears	\$134.0	\$3.8	-41.6%	20	Strong EU competition. Apples from the EU enter Egypt with a 0 percent duty.	Product is well received, but constrained by high duty rate.
Nuts and Dried Fruit	\$29.2	\$13.4	-15.1%	5	Shipping costs.	Pistachios and Almonds
Beef Frozen	\$624.7	\$33.8	80.6%	0	Halal requirement, as well as strong competition from Brazil and Australia.	Growing demand among high- end consumers and the HRI sector.
Cheese and Curd	\$111.4	\$23.3	4.5%	10	EU product benefits from shipping proximity. Shipping costs.	Demand for American cheddar as an alternative to EU cheeses. EU cheese has been ban in the past due to production animals' bacterial infections.
Crustaceans	\$71.9	\$0.01	-99.3%	0	EU product benefits from shipping proximity. Shipping costs.	Drop in tourism is impacting demand. Potential for lobster and soft shell crab.
Cocoa and Cocoa Preps.	\$81.7	\$0.32	-61.4%	0	EU product benefits from shipping proximity. Shipping costs.	Recognized quality for bulk product.

Source: Global Trade Atlas (GTA)

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

USDA\FAS – OFFICE OF AGRICULTURAL AFFAIRS, U.S. EMBASSY CAIRO, EGYPT

Websites: www.usembassy.egnet.net/agricult.htm • www.fas.usda.gov

Email: Agcairo@fas.usda.gov

Address: 8 Kamal El-Din Salah Street, Garden City, Cairo, Egypt

Tel: (20-2) 2797-2388/2389 • Fax: (20-2) 2796-3989

MINISTRY OF AGRICULTURE AND LAND RECLAMATION (MALR)

Website: <http://www.agr-egypt.gov.eg/En> • Tel: (20-2) 3337-3388/2677 • Fax: (20-2) 3749-8128

Address: 71 Wezaret El Zeraa Street, Dokki, Cairo, Egypt

CENTRAL LAB OF RESIDUE ANALYSIS OF PESTICIDES & HEAVY METALS IN FOOD

Website: www.qcap-egypt.com • Tel: (20-2) 3761-1282 • Fax: (20-2) 3761-1216

Address: 7 Nadi El Seid Street, Dokki, Cairo, Egypt

AGRICULTURAL RESEARCH CENTER

Website: <http://www.arc.sci.eg/> • Tel: (2-02) 3572-2069/3906 • Fax: (2-02) 3572-2609

Address: 9 Gamaa Street, Orman, Giza, Egypt

MINISTRY OF HEALTH (MOH)

Website: www.mohp.gov.eg • Tel: (2-02) 2795-7689 • Fax: (2-02) 2795-3966

Address: 3 Maglis El Shaab Street, Cairo, Egypt

CENTRAL LABORATORY (MOH)

Website: <http://www.healthlabs.net/> • Tel: (2-02) 2794-7271 • Fax: (2-02) 2796-2248

Address: 3 Maglis El-Shaab Street, Cairo, Egypt

NATIONAL INSTITUTE FOR NUTRITION (MOH)

Website: <http://www.nni.org.eg/> • Tel: (2-02) 2364-6413/3522 • Fax: (2-02) 2364-7476

Address: 16 Kasr El Aini Street, Cairo, Egypt

MINISTRY OF TRADE AND INDUSTRY

Website: <http://www.mfti.gov.eg/english> • Tel: (2-02) 2792-1190 • Fax: (2-02) 2795-5025

Address: 2 Latin America Street, Garden city, Cairo, Egypt

EGYPTIAN ORGANIZATION FOR STANDARDIZATION AND QUALITY CONTROL

Website: <http://www.eos.org.eg/Public/en-us/Default> • Tel: (2-02) 2603-1348 • Fax: (2-02) 2603-1351

Address: 16 Tadreeb el Motadarebeen Street, Ameriya, Cairo, Egypt.

MINISTRY OF SOCIAL SOLIDARITY (MOSS)

Website: <http://www.mss.gov.eg/mss/> • Tel: (2-02) 2794-6165/ 2794-6777 • Fax: (2-02) 2795-6835

Address: 99 Kasr El Aini Street, Cairo, Egypt

GENERAL ORGANIZATION FOR EXPORT AND IMPORT CONTROL (GOEIC)

Website: <http://www.goeic.gov.eg/en/> • Tel: (2-02) 2266-9609 • Fax: (2-02) 2266-9364

Address: Cargo Village, Cairo International Airport, Cairo, Egypt

Table A: Key Trade and Demographic Information

Agricultural Imports From All Countries (\$Mil)/ U.S. Market Share (%) ¹	\$14,390.2/ 20%
Consumer Food Imports From All Countries (\$Mil)/ U.S. Market Share (%) ¹	\$2,368.7/ 12%

CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,705,654	2,272,674	2,499,493	152,183	246,275	308,141	9	11	12
Snack Foods (excl. nuts)	48,774	69,136	89,442	982	1,505	1,223	2	2	1
Breakfast Cereals/ pancake mix	2,767	16,975	4,190	223	246	179	8	1	4
Red Meats, Fresh/Chilled/Frozen	507,264	844,243	789,980	77,808	106,577	176,430	15	13	22
Red Meats, Prepared/Preserved	9,360	20,190	15,255	405	8,017	191	4	40	1
Poultry Meats	69,226	164,916	87,567	172	353	272	--	--	--
Dairy Products (excl. cheese)	346,931	388,293	514,767	28,860	71,466	69,127	8	18	13
Cheese	94,245	87,811	112,102	28,860	71,466	69,127	2	26	13
Eggs & Products	4,189	2,504	2,598	681	732	284		29	11
Fresh Fruit	88,275	120,744	178,431	7,007	6,669	3,880	8	6	2
Fresh Vegetables	111,038	102,824	133,760	2,558	3	35	2	--	--
Processed Fruit & Vegetables	53,811	57,686	70,930	2,734	2,776	10,924	5	5	15
Fruit & Vegetable Juices	20,739	28,965	63,074	395	165	250	2	1	--
Tree Nuts	70,194	65,174	49,202	20,070	15,791	13,269	29	24	27
Wine & Beer	653	906	489	320	585	298	49	65	61
Nursery Products & Cut Flowers	3,867	1,976	1,864	67	140	4	2	7	--
Pet Foods (Dog & Cat Food)	1,409	2,395	3,608	173	314	397	12	13	11
Other Consumer-Oriented	272,914	297,936	382,235	7,705	8,346	7,863	3	3	2
FISH & SEAFOOD PRODUCTS	466,187	490,759	506,817	12,028	8,178	5,286	3	2	1
Salmon	5,224	6,258	5,381	309	311	17	6	5	--
Mollusks	12,691	12,996	13,131	239	224	136	2	2	1
Crustaceans	69,358	70,687	74,193	208	170	182	--	--	--
Ground fish & Flatfish	209,221	181,765	171,326	8,456	3,722	4,201	4	2	2
Other Fishery Products	169,692	219,053	242,785	2,816	3,752	750	2	2	--
AGRICULTURAL PRODUCTS TOTAL	7,424,446	9,865,050	13,224,330	1,475,138	1,900,626	2,907,317	20	19	22
AG, FISH & FORESTRY TOTAL	8,995,722	11,584,913	15,080,653	1,514,239	1,941,982	2,946,843	17	17	15

Source: Foreign Agricultural Service GATS UNTrade Database (HS 6-digit) - United Nations Commodity Trade Statistics, United Nations Statistics Division.

Table C. Egypt's Top 15 Suppliers of Consumer Foods and Edible Fishery Products (\$ millions)

Egypt – Top 15 Suppliers	Import 2009 Jan-Dec	Import 2010 Jan-Dec	Import 2011 Jan-Dec	% CHG.	Egypt – Top 15 Suppliers	Import 2009 Jan-Dec	Import 2010 Jan-Dec	Import 2011 Jan-Dec	% CHG.
Brazil	247.9	550.8	446.8	-19	Netherlands	84.7	77.6	104.7	35
United States	152.1	246.2	308.1	25	Thailand	81.9	92.1	98.6	7
India	235.1	327.1	273.0	-17	Vietnam	48.8	56.1	58.3	4
New Zealand	132.9	132.1	202.3	53	Norway	17.4	29.2	37.3	28
Netherlands	110.2	127.1	162.2	28	Taiwan	1.7	13.2	18.1	38

Syria	53.9	73.7	87.2	18	Spain	16.6	17.5	17.9	2
Germany	56.8	59.3	81.9	38	Yemen	9.2	10.5	17.3	65
UAE	24.8	35.2	72.2	105	China	22.8	19.4	17.0	-12
Italy	25.5	27.6	70.4	155	Pakistan	11.6	13.6	15.1	11
Denmark	38.3	51.0	69.7	37	Japan	25.1	37.7	11.2	-70
Saudi Arabia	25.4	27.1	47.5	75	India	19.8	13.0	10.9	-16
United Kingdom	50.5	43.7	45.1	3	Korea, South	11.8	6.7	8.5	27
Turkey	34.8	39.2	44.2	13	Russia	1.1	.085	8.0	9,390
Lebanon	26.9	38.5	36.7	-5	Ireland	13.0	16.6	7.8	-53
Australia	46.0	76.0	34.4	-55	Iceland	0	.479	7.6	1,488

Source: Foreign Agricultural Service GATS UNTrade Database (HS 6-digit) - United Nations Commodity Trade Statistics, United Nations Statistics Division.

Note: The United States is Egypt's 17th largest supplier of Edible Fishery Products in 2011. Egypt in 2011 imported from the United States roughly \$5.2 million, down 35 percent from the 2010 level of \$8.1 million and down \$6.7 million from 2009 levels.